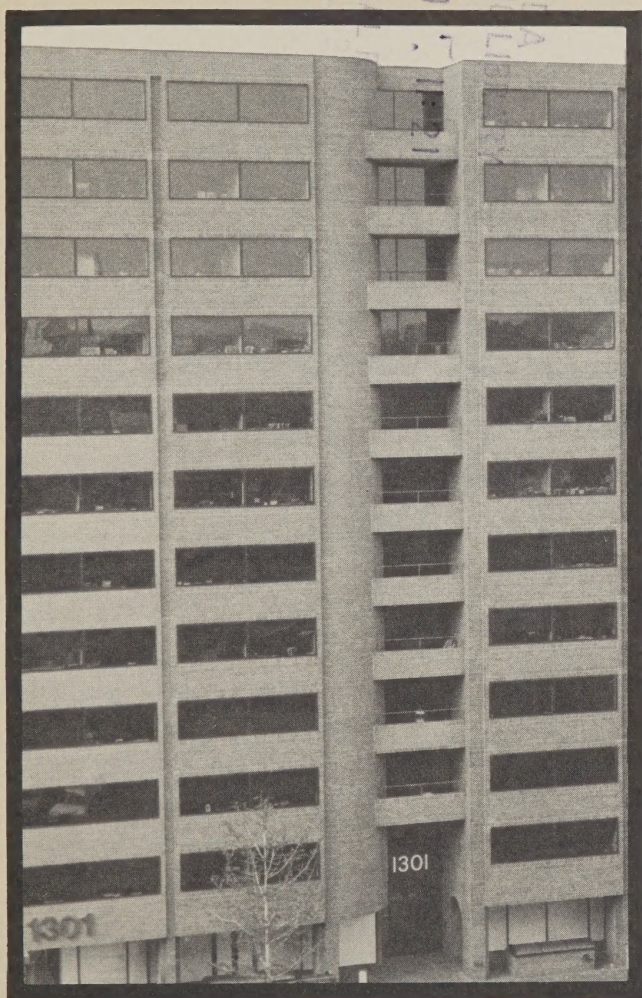


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The Economic Research Service in 1987

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United States
Department of
Agriculture

Economic
Research
Service



Cover photo shows headquarters of the Economic Research Service at 13th Street and New York Avenue, NW., Washington, DC.

See inside back cover for ERS organization list.

Foreword

This brochure describes major activities planned by the Economic Research Service (ERS) for 1987 based on the budget proposed by the Administration.

Readers may also be interested in ERS's *1987 Catalog of Publications*, which lists details on the range of subjects covered by ERS's programs. Copies of the *Catalog* and this brochure may be obtained from Room 1212, 1301 New York Avenue, NW., Washington, DC 20005-4788 (202-786-3310). For information on how to order any of the hundreds of economic monographs and periodicals published by ERS each year, request a free subscription to *Reports*, ERS Publications, Room 237, 1301 New York Avenue, NW., Washington, DC 20005-4788 (202-786-1515).

The Economic Research Service in 1987

The Economic Research Service, an agency of the U.S. Department of Agriculture, produces economic and other social science information as a service to the general public and to aid Congress and the Executive Branch in developing, administering, and evaluating agricultural and rural policies and programs. ERS monitors, analyzes, and forecasts U.S. and world agricultural production and demand for production resources, agricultural commodities, and food and fiber products. ERS also measures the costs of and returns to agricultural production and marketing; evaluates the economic performance of U.S. agricultural production and marketing; and estimates the effects of Government policies and programs on farmers, rural residents and communities, natural resources, and Americans in general. In addition, ERS produces economic and other social science information about the organization and institutions of the U.S. and world agricultural production and marketing systems, natural resources, and rural communities.

ERS-produced information is made widely available to the general public through research monographs, situation and outlook reports, professional and trade journals (including ERS's journal, *Agricultural Economics Research*), magazines (including ERS's magazines, *Agricultural Outlook*, *Farmline*, *National Food Review*, and *Rural Development Perspectives*), radio, television, newspapers, direct computer access, and frequent participation of ERS staff at various public forums.

ERS has four program divisions—Agriculture and Rural Economics, International Economics, National Economics, and Natural Resource Economics—that



carry out the four principal functions of ERS: research, situation and outlook analysis, staff analysis, and data collection. Research and data collection provide the knowledge base and undergird the situation and outlook and staff analyses functions. The situation and outlook analysis function entails periodic reports that analyze the current situation and forecast the short-term outlook for major agricultural commodities, agricultural exports, agricultural finance, agricultural resources, and world agriculture. Staff analysis entails brief assessments of issues requiring policy decisions by the Executive Branch and Congress.

Economic Research Service, planned resources, FY 1987

Division	Funds	Staff-years
	<i>Million dollars</i>	<i>Full-time equivalents</i>
Agriculture and Rural Economics	6.2	134
International Economics	7.8	178
National Economics	11.6	216
Natural Resource Economics	7.5	136
Other*	12.4	208
Total	45.5	872

*Includes ERS's Data Services Center, Immediate Office of the Administrator, Situation and Outlook Coordination Staff, Central Operations Staff, other indirect costs, and parts of USDA's Office of Energy, Economic Analysis Staff, and Economics Management Staff.



Agriculture and Rural Economics Division

The Agriculture and Rural Economics Division (ARED) conducts a research program designed to improve the public's understanding of rural and agricultural trends and conditions. The division's work program is shaped by forces affecting the economic and sociodemographic structure of rural and agricultural America. The program covers a broad range of topics, including the industrial restructuring of the rural economy, the Nation's general economy and its links to the rural economy, reasons for differences in economic performance between urban and rural areas, financial problems in the farm sector, effects of import competition on agriculture and rural manufacturing, rural population growth and migration, persistent rural poverty, the market for rural and agricultural labor, the changing organization of farming, and credit and finance and their implications for agriculture and the rural economy.

In 1987, the division will analyze future structural change in agriculture and explain how farm structure will likely be affected by alternative economic and policy scenarios. Division researchers, cooperating with the Bureau of the Census, will use data from the Survey of Income and Program Participation (SIPP) to conduct a first-ever study of wealth holding by rural and urban households. The division will evaluate the relative contributions of personal attributes of workers and structural characteristics of labor markets in explaining differences in the returns to labor and other indicators of economic well-being of rural workers. Macroeconomic events and policies have a strong influence on agriculture and the rural economy. Accordingly, division researchers will enhance their understanding of the macroeconomy by explicitly integrating international and domestic analyses. Division

historians will write the history of the USDA since 1960 as part of the celebration of the bicentennial of the Constitution, and will complete a study of the impact of agriculture on the writing of the Constitution.

The division has five branches—Farm and Rural Economy, Finance and Tax, Human Resources, National Economy and History, and Rural Business and Government. The branches cover the major institutions that make up rural America and their research provides the basis for a comprehensive understanding of past, present, and future rural trends.

The **Farm and Rural Economy Branch** conducts a program of research and current intelligence on the changing structure of the farm sector, the local economies that support and are supported by the farm sector, and the linkages between them. The farm structure focus includes farm number and size distributions, ownership and control of resources and factors of production, organization of farm production and marketing, and socioeconomic characteristics of the farm population, including income, wealth, employment, and labor force participation. The rural community focus includes the composition of income and employment in local areas, farm-agribusiness

**Agriculture and Rural Economics Division,
planned resources, FY 1987**

Branch	Funds	Staff-years
	<i>Million dollars</i>	<i>Full-time equivalents</i>
Farm and Rural Economy	1.2	29
Finance and Tax	1.0	23
Human Resources	1.2	28
National Economy and History	1.0	25
Rural Business and Government	.8	18
Office of the Director	1.0	11
Total	6.2	134

linkages in local areas and regions, and the economic well-being of farm communities.

In 1987, the branch plans to publish the annual *Family Farm Report* mandated by Congress; analyze the implications for farmers and rural communities of the changing structure of the farm sector; analyze the economic interdependence of local economies and the food and fiber sector; analyze the composition of the agricultural work force including the farm and nonfarm employment of operators, unpaid workers, and hired workers; describe and assess laws and regulations affecting agricultural workers, including foreign worker programs; develop and analyze longitudinal family farm information collected in Wisconsin, North Dakota, and Ohio to focus on actual changes occurring in farm operation and farm family economic well-being during the current period of financial stress; and continue to analyze the economic well-being of farm families considering all income and wealth sources.

The **Finance and Tax Branch** analyzes developments in rural financial markets and Federal tax law for their consequences for agriculture and rural economies; monitors and analyzes the structure and performance of financial markets used by farmers, rural businesses, and households, and the State and Federal policies influencing rural financial markets; evaluates current and alternative future Federal credit assistance programs, innovations in agricultural lending, and the structure and performance of agricultural lenders, with emphasis on the consequences for resource use, financial stability, and returns to the farm sector; and monitors changes in Federal tax policy for their implications for income distribution, capital formation, resource allocation, and farm production. The branch also examines the longer term consequences of changes in tax policy for farm structure and rural economies.

In 1987, the branch will examine the consequences of farm financial stress for the Farm Credit System and commercial farm banks, the steps taken by lenders to ease financial difficulties, Federal remedies for lenders, and the

implications for the overall performance of the agricultural credit system. The branch will also evaluate several farm credit assistance measures with regard to their impacts on financial risk, the survival of farms, and overall farm sector performance. A third major activity in 1987 is to assess the tax characteristics of the farm sector using recently acquired IRS data and to determine the effects of tax reform on income distribution, capital costs, and farm tax liabilities by size and type of farm.

The **Human Resources Branch** develops basic data and conducts research on the geographic distribution, sociodemographic composition, employment, and living conditions of the U.S. rural population. Branch research on rural population, rural labor markets, and rural income and well-being is used to inform the design of policies and programs to improve the living conditions and opportunities of rural people. The branch analyzes trends in population growth and composition; the sources, level, and distribution of personal income among rural people and places, with special emphasis on the rural poor; employment and employment-related characteristics of the nonfarm rural labor force; and the structure and operation of rural labor markets and the effects of economic development and growth on rural labor markets and labor force groups.

In 1987, the branch will publish a comprehensive report on employment growth in the Ozarks. Initial results of analyses of local labor market characteristics associated with unemployment, high earnings, employment stability, and opportunities for minorities and women will be presented. A study of labor market conditions in agricultural areas will be undertaken. A study of the effects of business cycle shifts in a rapid growth rural area will be published. An examination of indicators of well-being in U.S. counties will be published. A new study of rural entrepreneurship, assessing the importance of local entrepreneurship in generating rural jobs and identifying policies to promote enterprise formation, will be undertaken as a cooperative effort with the



Rural Business and Government Branch and four universities. Research on housing conditions in rural America will be concluded, and a report on 50 years of housing progress will be published. The branch will examine recent agricultural census data on minority farmers and will publish studies of the persistently poor, female-headed families, and other at-risk rural groups. A study of growth, geographic location, and characteristics of the rural elderly will be completed. The branch will also publish a national analysis of migration between nonmetro areas, focusing on specific migrant streams and migrant characteristics. New work will focus on the effects of income security programs on the well-being of individuals and local economies in nonmetro areas.

The National Economy and History Branch analyzes current agricultural and rural issues from the perspective of the national and global economy and from a historical perspective. The branch is responsible for analyzing the relationships among the general U.S. and world economies, the U.S. food and fiber sector, and the nonmetropolitan U.S. economy. In addition, the branch provides a historical perspective on the forces that have shaped the U.S. agricultural and rural economies. Major areas of emphasis include the impacts of monetary and fiscal policies on agriculture and rural areas, the macroeconomic impacts of developments in the farm and rural economies, and the general economic outlook as background for the agency's outlook activities. Other work

concentrates on the linkages among sectors of the rural economy and between rural economic sectors and the general economy; the price, income, and output performance of the food and fiber system relative to other sectors; the agricultural portion of the national input-output accounts; the history of agricultural policies and programs; changes in the organization of USDA; the history of rural development programs; and the history of economic change and its impacts on farm structure and rural life.

In 1987, the branch will analyze the interrelationships of macroeconomic changes and changes in the agricultural economy, with particular focus on the relationships between monetary policy and commodity prices, the impacts of U.S. policy on exchange rates, and the macroeconomic policies of foreign trading partners. Modeling capability to support macroeconomic situation and outlook activities will be strengthened. The branch will begin to assess potential contributions of multisectoral models, such as computable general equilibrium models, to agency policy analysis capabilities. Several studies will examine income and employment generation within the food and fiber system, the impacts of national economic policy changes on agriculture, and the impacts of agricultural policy changes on the rest of the economy. Work will continue on the construction of agricultural transactions for the national input-output table maintained by the U.S. Department of Commerce. Marking the bicentennial of the Constitution, work will commence on an update of the branch's overall history of USDA, *Century of Service*, to cover the period since 1960. In addition, a study of the relationship between agriculture and the writing of the Constitution will be completed. A history of USDA's role in biotechnology research and its dissemination will be finished and a history of agricultural credit since 1916 will be started.

The Rural Business and Government Branch conducts a research program on the performance of the rural economy, changes in the industrial structure of rural areas, finances and services of rural governments,

intergovernmental relations, and the interaction of the public and private sectors in improving rural well-being.

In 1987, the branch will study the contribution of the services sector to employment growth in rural areas, the role of new enterprise formation in creating rural jobs, the composition and growth trends of industries located in rural counties that specialize in manufacturing, and the industrial composition of the economic recovery in rural areas. The branch is lending its support to a national symposium on rural entrepreneurship (to be held in cooperation with the Extension Service, Farm Foundation, Rural Development Centers, and the Tennessee Valley Authority) and to a proposed national conference on nonmetropolitan community services. The branch will complete a study measuring the effects of recent decentralization policies on the ability of rural local governments to finance and provide essential public services, begin an assessment of the taxing and spending powers of local governments in rural areas, analyze data on the geographic distribution of Federal funds, examine the extent of "urban bias" in Federal assistance programs, and describe and analyze the institutional environment in which rural development policymaking occurs. The branch will contribute to an Organization for Economic Cooperation and Development project on rural public management by participating in a cross-national assessment of rural development policymaking.



International Economics Division

The International Economics Division (IED) is the world's primary source of expertise, data, models, and research information about the agricultural economies and policies of foreign countries and the agricultural trade and development relationships between foreign countries and the United States. IED's principal focus is on trade and trade policy and on relating economic, technical, and political factors to agricultural trade between countries. Among the micro and macro factors analyzed are weather and technical production systems; commodity and financial market structure, efficiency, and performance; and foreign governments' production, consumption, monetary, and trade policies.

Four major areas will be the focus of IED's research in 1987:

- Foreign country policy assessments
- Factors affecting agricultural supply adjustment
- Factors affecting export demand for U.S. feedstuffs
- Macroeconomic and trade assessments.

A policy database will be developed as part of IED's policy assessment project. Other activities include estimating the level of government support for agriculture in key foreign countries and analyzing trade liberalization options using a world policy simulation model. The linkages between livestock and feed subsectors and derived import demand for feed will be emphasized in the research on export demand for U.S. feedstuffs. A supply adjustment project will focus on the interaction of countries' basic resource endowments and government policies in influencing structural change, resource use, and the level of output. The impact of Third World debt and various export enhancement programs on the demand for U.S. agricultural exports will be the major focus of IED's

macro/trade project. In addition to the four major research areas mentioned above, IED will consolidate branch data into a division database and prepare a data dictionary for internal use and for facilitating dissemination of data and information to the public.

The objective of IED's research and situation activities is to develop current, comprehensive, and analytically based knowledge of the structure and performance of world agriculture, to forecast world agricultural and economic conditions, and to relate changing conditions in the rest of the world to the well-being of the U.S. food and fiber system. Many of the individual activities in IED's annual plan of work focus on discrete subsets of countries, commodities, and policies that combine to form the complex interdependencies of the world's agricultural economies. The results of the individual analyses are integrated and institutionalized into IED's analytical models and procedures.

Five regional branches survey and analyze agricultural production, demand, and trade conditions around the globe—in the richest countries and the poorest. Issues such as food aid, agricultural performance, and economic and

International Economics Division, planned resources, FY 1987

Branch	Funds	Staff-years
	<i>Million dollars</i>	<i>Full-time equivalents</i>
Asia	1.1	24
Eastern Europe and USSR	.6	13
Western Hemisphere	.9	20
Western Europe	.8	17
Africa/Middle East	.6	15
Agricultural Development	.5	13
International Aggregate Analysis	1.0	23
International Economic and Trade Policy	1.0	23
International Economic Indicators	.9	20
Office of the Director	.4	10
Total	7.8	178

political forces are crucial to poor and wealthy countries alike. Four global branches study the broader macroeconomic and policy conditions as well as other factors that influence the structure, conduct, and performance of world agricultural markets.

The **Asia Branch** addresses issues that affect the production and use of agricultural products in Asia and Oceania and that have implications for agricultural trade. Situation and outlook analyses focus on the current agricultural conditions in Asian countries and assess their impact on U.S. agricultural trade. Branch research is designed to provide information on economic relationships affecting the region's agriculture so as to enhance the branch's analytical capability for outlook and policy analysis. The research program includes indepth studies on supply and demand relationships, farm and market structure, macroeconomic linkages with agricultural trade, and the effects of institutions and government policies on production, utilization, and trade of farm commodities. The branch's research is supported by a continuing effort to maintain, update, and expand country and regional databases in order to expand the range of economic and policy variables analyzed.

In 1987, increased emphasis will be placed on policy studies and factors affecting supply of and demand for agricultural products in Asia. The focus of the policy studies will be on integrated divisionwide efforts to expand the division's policy information base and to examine the benefits and costs of modifications of policy interventions in foreign countries. Policy issues unique to the Asian region will also be given attention, for example, rice policy and the evolving policy situation in China. The interaction of policy and economic factors in South Asia will be examined closely to assess prospects for supply adjustments for oilseeds and cotton. Demand analysis will be included in most research but will be stressed in studies on important U.S. markets in East Asia, with a draft report planned on competition in that region. Because of their importance to longer term U.S.

export prospects, the livestock sectors of East and Southeast Asia will continue to receive attention. The branch will publish four regional situation and outlook reports, contribute to division and agency publications, publish research monographs and statistical bulletins, and respond to requests for information and analysis from a diverse clientele.

The **Eastern Europe and USSR Branch** is the major U.S. Government source of analysis of the agricultural policies of Eastern Europe and the USSR. Because of the political importance of the region, the reluctance of the governments there to release agricultural and trade information, and the size and variability of the region's agricultural imports (especially the USSR's), the branch must constantly monitor and interpret changes in economic, political, and weather situations. The research program and the long-term outlook activities are aimed at identifying the factors affecting the supply of and demand for agricultural commodities (especially feed grains) in the region, quantifying the relationships between those factors and supply and demand responses, and providing a perspective on likely developments in production resource availability and use in the countries of the region. The results of research on the factors affecting the supply of and demand for agricultural commodities will be integrated into the results of research on trade institutions and policies in order to assess and forecast the agricultural trade responses of the countries in the region.

In 1987, the branch will publish monographs on the outlook for agriculture in the USSR and Eastern Europe, contribute to numerous Departmental outlook reports and analyses, and publish the results of research on the USSR's feed/livestock sector, grain use and trade, cotton economy, and agrochemicals. The branch will also publish results of research on hard currency constraints on agricultural trade in Eastern Europe and the efficacy of food policies in countries in the region. New research will concentrate on identifying the state of technology and opportunity costs of production



for major traded crops; assessing the contributions of infrastructure and land reclamation to Soviet agricultural production; developing agricultural sector and trade models for selected countries of the region; and analyzing the effects of agricultural and economic policy as well as indebtedness in the East European countries on agricultural supply and trade.

The **Western Hemisphere Branch** focuses on the agricultural sectors, policies, and trade of Western Hemisphere countries. The research program examines both medium- and long-term changes in the structural, institutional, and policy issues affecting the agricultural sectors of individual countries. The situation and outlook program monitors the current agricultural situation and policies with reference to how changes will affect U.S. agricultural production, consumption, and trade.

In 1987, the branch will focus its research on three divisionwide projects: trade liberalization, foreign policy assessment, and foreign agricultural supply adjustment. Under the trade liberalization project, the branch will complete a compendium of agricultural and trade policies and disputes affecting U.S. interests, calculate measures of protection for major agricultural commodities, and analyze various trade liberalization scenarios and alternatives. A component of the trade liberalization project is a comprehensive analysis of the U.S./Canada free trade proposals. That analysis is a joint effort

with IED's International Economic and Trade Policy Branch and ERS's National Economics Division. Work will continue on the construction of a major database for use by the U.S. Agency for International Development and by U.S. commercial interests for expanding trade under the Caribbean Basin Initiative.

The Western Europe Branch analyzes issues affecting U.S.-Western Europe agricultural relations. The branch's situation and outlook program focuses on the current food and agricultural situation and short-term outlook for countries in Western Europe. The research program focuses on indepth studies of factors relevant to major policy issues affecting U.S.-West European agricultural trade.

In 1987, the branch will focus on forecasting, policy analysis, and evaluation of factors affecting supply, demand, and trade. Special emphasis will be placed on commodity policy options and impacts associated with grains, oilseeds, feeds, and livestock. Additionally, the branch will analyze foreign demand for horticultural and other high-valued products. Trade liberalization, U.S. competitiveness in the grains sector, European Community budget pressures, and modification of the European Community's Common Agricultural Policy will all be addressed by branch research. The branch will publish a regional outlook report, research monographs, and statistical bulletins, contribute to division and agency publications, and respond to requests for information and analysis from a diverse clientele.

The Africa/Middle East Branch monitors and analyzes agricultural, financial, and trade conditions in some of the world's richer developing countries (for example, OPEC members) and some of its poorest (sub-Saharan Africa). Branch research focuses on four themes: agricultural production and policies, recurrent food crises, changing prospects for agricultural trade, and macroeconomic linkages with the agricultural sector. In addition, the branch has developed, and continues to maintain, an extensive electronic database.

In 1987, the branch will produce a range of

products, including monthly updates of the region's conditions, quarterly analyses of salient issues for the *World Agriculture Situation and Outlook Report*, quarterly forecasts of food aid requirements, and two annual situation and outlook reports: *Middle East and North Africa* and *Sub-Saharan Africa*. Other outputs in 1987 will include a comprehensive analysis of financial conditions for 20 of the region's most important countries; inventories of key production, consumption, and marketing policies; analyses of existing technologies; estimates of possible supply responses to policy changes; and the agricultural trade implications of declining oil prices for the Middle East/North African market.

The Agricultural Development Branch is responsible for analyzing the effects of regional and world agricultural and general economic development on foreign markets for U.S. agricultural commodities. The branch's program focuses primarily on development and trade of the low- and middle-income countries. Branch research concentrates on topics such as factors underlying growth in supply of and demand for agricultural commodities, macroeconomic determinants (especially as they interact with domestic agricultural supply and demand policies), and the volume and composition of agricultural trade of foreign countries. As part of its research responsibilities, the branch prepares and publishes an annual report on *World Food Needs and Availabilities*, and manages the Food and Agricultural Information System.

In 1987, the branch will publish a report on growth markets for U.S. agricultural products; conduct and publish analyses of factors influencing the dynamics of comparative advantage, the changing structure of global agricultural production, patterns and trends in the structure of food demand, and the impact of foreign debt on agricultural growth; and coordinate the division's efforts on the global food needs assessment (including publication of *World Food Needs and Availabilities, 1987*, and its quarterly updates).

The International Aggregate Analysis Branch coordinates the division's situation and outlook publications and analyzes international commodity, price, economic, and financial developments and trends. The branch is the focal point of much of IED's analyses on current agricultural and trade issues. Commodity experts monitor commodity-specific developments and, in conjunction with other regional analysts from IED and ERS's National Economics Division, develop assessments of the world agricultural sector. The branch also conducts ongoing assessments of world commodity prices, exchange rates, macroeconomic and financial conditions, agricultural and trade policies, food aid and export credit developments, and actions of international institutions affecting agricultural production and trade.

In 1987, the branch will undertake research on principal agricultural, trade, credit, and food aid policies, and on the relationships between food aid, credit, and commodity import demand. A project to calculate an aggregate measure of the livestock/feed demand linkage will contribute a global overview to a division project aimed at analyzing country/region demand for meat and derived demand for grains and high-protein meals. The branch will also provide ongoing outlook analyses on the effects of prices, exchange rates, incomes, foreign exchange reserves, international debt, and U.S. credit and food aid on the demand for U.S. grains, oilseeds, cotton, and livestock products.

The International Economic and Trade Policy Branch analyzes how changes in major international economic and trade policies may affect U.S. agricultural trade. To accomplish its objectives, the branch draws on the theoretical and applied research capabilities of land-grant universities and international research organizations via cooperative efforts. Within the branch, the agricultural world is analyzed across commodities and countries. The branch's studies compile detailed economic and policy knowledge of countries and regions of the world to give a world perspective on major agricultural

commodities of trade interest to the United States. The analysis is both on a cross-country comparative basis and in formal multicountry, multicommodity models. The branch is responsible for analyzing world macroeconomic policies and integrating foreign regional and U.S. macroeconomic research into a global perspective. In addition, the branch is responsible for linking world macroeconomic conditions to U.S. agricultural trade and the U.S. agricultural sector.

In 1987, the branch will research the macroeconomic linkages to the agricultural sector and analyze the effects of alternative foreign agricultural and trade policies on U.S. agricultural trade. The branch also has a major role in the division's trade liberalization project. While IED's regional branches will provide the basic data and quantification for trade restrictions in their regions, this branch will analyze the impact of changes in restrictions on a global basis by inserting the regional analytical results into a world, multicommodity model.

The International Economic Indicators Branch is responsible for collecting, analyzing, and reporting on U.S. and international trade and indicators of world agricultural and food production, capacity, productivity, investment, and resource use. The branch also develops and maintains an international database.

In 1987, branch efforts will contribute to and coordinate the division's database project (which includes development of a division data directory), develop and consolidate the division's database, and prepare selected data sets for sale to the public. The branch will also contribute to the division's policy assessment project through analysis of transportation policies affecting competitiveness and to the division's macroeconomic and trade project through research on the impact of foreign debt on agricultural growth and trade behavior. The analysis of agricultural trade will emphasize U.S. imports, update agricultural trade matrices for major crops, and expand the length of the time series data on monthly U.S. trade currently available in the agencywide data system.



National Economics Division

The National Economics Division (NED) has as its general focus the production, marketing, and consumption of U.S. food and fiber products. Responsibilities include: situation and outlook analyses for agricultural commodities, food prices and consumption, and farm sector economic conditions; policy analyses in support of public decisionmaking; and economic research on the domestic food and fiber system.

A major priority for 1987 is to strengthen the division's commodity situation and outlook activities. NED will also continue to respond to requests for special studies and analyses of major agricultural policy issues. Research will be undertaken on the competitive position of U.S. agriculture, including the implications of changing technology and the adjustments likely under a more liberalized world trading environment. Additional development of major farm sector economic indicators will be carried out, particularly enterprise cost of production data for major commodities, distributional analyses of whole farm economic data, and assessment of farm financial conditions. Market structure and pricing research will be conducted for principal commodities and farm-to-retail price linkages will be further examined. Several agricultural policy studies will be initiated dealing with: the effect of Government programs on production and price risk, including implications for the level and variability of producer prices and incomes, Government outlays, and consumer costs; the complementarity and substitutability of public programs and private institutions for producers' production and marketing risk; the potential for targeting farm program benefits; and special studies on dairy, sugar, and sweeteners policies.

NED has three commodity branches (Animal Products; Crops; and Fruits, Vegetables, and Sweeteners), a branch focusing on the food and

fiber system beyond the farmgate (Food Marketing and Consumption Economics), a branch devoted to policies affecting the production and consumption of food and fiber products (Food and Agricultural Policy), and a branch with major responsibility for developing economic indicators and assessing financial conditions within the farm sector (Economic Indicators).

The **Animal Products Branch** focuses on the economics of U.S. animal agriculture. The branch maintains a comprehensive database on the beef, pork, dairy, and poultry industries; provides an ongoing assessment of current economic conditions and forecasts of future changes in the animal products sector; analyzes the effects of current and proposed public policies on the sector; provides staff analyses for various Government agencies, the Administration, and the Congress concerning the economics of the sector; and conducts research to identify and explain the economic behavior and performance of the production, marketing, processing, and distribution activities in the animal products industry.

In 1987, the branch will publish livestock, poultry, and dairy situation and outlook reports;

**National Economics Division,
planned resources, FY 1987**

Branch	Funds	Staff-years
	<i>Million dollars</i>	<i>Full-time equivalents</i>
Animal Products	1.3	28
Crops	1.5	34
Fruits, Vegetables, and Sweeteners	.7	17
Food Marketing and Consumption Economics	2.2	47
Food and Agricultural Policy	1.4	30
Economic Indicators	3.9	46
Office of the Director	.6	14
Total	11.6	216



continue to develop more accurate individual, cross-commodity, and international trade livestock models; increase analysis of costs and returns for various types of livestock farms by degree of enterprise specialization; revise and develop forage, dairy, cow-calf, and hog costs of production budgets by size of farm and by region; assess the effects of biotechnology developments on dairy production and marketing and Federal dairy policy; evaluate milk pricing and production efficiency under milk marketing orders and other policy arrangements; analyze the effects of alternative feed grain commodity price and income support and macroeconomic policies on the animal products sector; analyze factors affecting the structure and location of the dairy, meat, poultry, and egg production, packing, and processing industries; and develop a meat cut demand model analyzing interspecies competition and meat price spreads.

The **Crops Branch** focuses on major field crops produced in the United States. The branch's program encompasses the production, marketing, and distribution systems for individual commodities as well as cross-commodity relationships within the crops sector. The branch analyzes the impact of program changes, emerging technologies, and changes in industry structure on the performance of individual crop subsectors, especially on the production, marketing, and utilization of food

grains, feed grains, fibers, oil crops, and tobacco. Situation and outlook activities cover each of those crops and monitor current and emerging factors that affect the outlook for each commodity.

In 1987, the branch will publish situation and outlook reports and yearbooks covering feed grains, wheat, rice, oil crops, cotton and wool, and tobacco; complete studies on the U.S. barley industry, U.S. wheat industry, and U.S. soybean industry; report on the structure of the formula feed industry and on feed-livestock relationships; analyze cotton distribution channels, cotton ginning costs, and cotton marketing practices and costs; analyze the financial status of soybean farms; and evaluate the effects of public and private institutions on the level and variability of producer income and government expenditures.

The Fruits, Vegetables, and Sweeteners Branch analyzes the fruit, vegetable, sweetener, tree nut, and tropical beverage (coffee, tea, and cocoa) sectors. Primary emphasis is on conducting comprehensive research and providing information on the major economic indicators of each sector through situation and outlook reports and evaluation of changes in trade, technology, economic conditions, and Government programs.

In 1987, the branch will publish situation and outlook reports and yearbooks covering sugar and sweeteners, fruits, and vegetables; analyze the effects of competition between the United States and Canada in producing potatoes and between the United States and Western Europe in producing grapes, raisins, and wine; and analyze the economic impact of sugar policy and regulations and the cost of producing and processing sugarcane and sugarbeets.

The Food Marketing and Consumption Economics Branch analyzes the marketing and consumption of food. Principal focuses of the branch's program are: consumer behavior as it relates to the demand for food and associated services; structure, conduct, and performance of food manufacturing, distribution, transportation, and marketing; commodity pricing institutions



and Federal marketing programs; and public policies related to food assistance, food safety, technological innovation, and market enhancement activities.

In 1987, the branch will publish situation and outlook information on food prices and consumption, the marketing bill, and the marketing basket; analyze the impact of rail deregulation on grain and soybean transport services, including rate structures; conduct research on the use of private forward contracting markets as a substitute for government price support programs in reducing producer price risk; develop productivity measures for the food marketing system; complete a research project on the food-retailing system; conduct research on linking farm-to-retail marketing margins to input availability and substitution as well as to the underlying demand relationships for food; develop methodological procedures for analysis of foodstore scanner data; and analyze U.S. trade in processed food.

The Food and Agricultural Policy Branch develops economic analyses of agriculturally related policy issues and prepares economic evaluations of program alternatives. The branch monitors conditions in the farm sector to identify forces that affect, or are affected by, policies and programs. The branch maintains economic models to evaluate policy, program, and regulatory alternatives. The branch assumes a coordinating role for the division and agency in

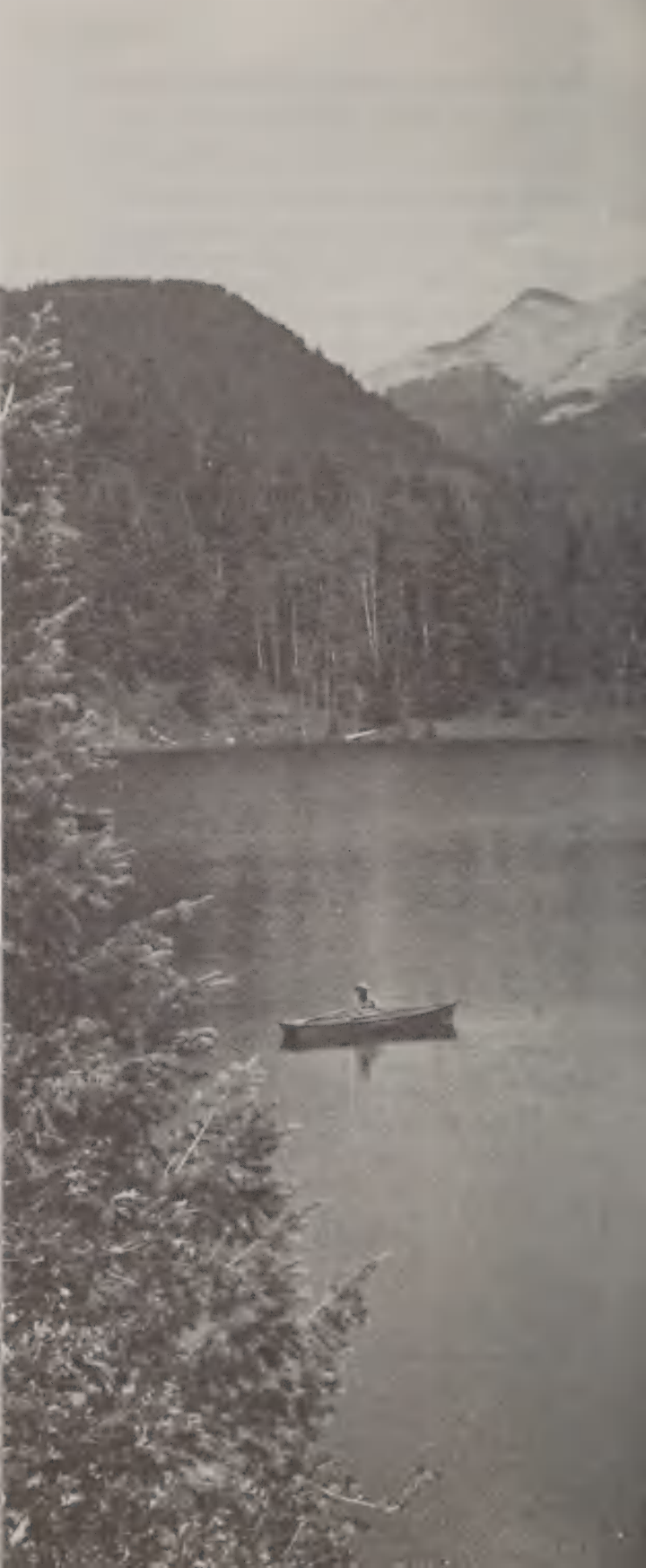
bringing a cross-commodity perspective to policy issues by integrating commodity information with macroeconomic, international trade, and farm structure information.

In 1987, the branch will analyze the domestic effects of trade liberalization and export enhancement programs; develop a modeling capability to assess the effects of shifts in foreign excess demand and supply by region and country on U.S. wheat exports; assess the feasibility of targeting farm program benefits; conduct research relating production, resource use, and resource valuation to U.S. international trade competitiveness in agricultural commodities; examine the costs and benefits of alternative farm programs; and analyze the implications of production and price risk on producer supply response and Government budget outlays.

The Economic Indicators Branch is responsible for developing and maintaining a farm sector financial database along with the analytical systems necessary to assess the economic and financial well-being of the farm sector. The branch provides the Department's annual estimates and periodic forecasts of farm income, the farm sector balance sheet, enterprise and farm level costs and returns, and farm sector production and efficiency statistics. The estimates are derived from concepts, methods, and data sources developed and maintained by the branch to reflect ongoing changes in farm characteristics and production practices. The primary emphasis of the branch's research program is to determine how general and agricultural economic factors affect the distribution of income (as well as costs and returns) among those working in the sector and to determine how organizational changes in the sector affect the conceptual basis of the indicator accounts.

In 1987, the branch will publish reports on farm income, the farm balance sheet, enterprise and firm costs, and farm productivity; conduct the Farm Costs and Returns Survey and obtain enterprise data for soybeans, sorghum, wheat, sunflower, and sheep; incorporate data and analytical improvements into the indicator

accounts, focusing primarily on assessing the methods and data used to estimate the balance sheet and on incorporating survey data into the estimates on farm production expenses; expand distributional analysis to assess the distribution of farm income, rates of return to production resources, and the incidence of financial difficulties in the sector; develop cost estimates by size of farm; and prepare a series of reports to describe the operational and financial characteristics of major types of farming operations by farm production regions. Special emphasis will be given to improving the balance sheet forecast methodology and on integrating income and balance sheet forecasts into a comprehensive financial perspective.



Natural Resource Economics Division

The Natural Resource Economics Division (NRED) analyzes agricultural resource and input issues, including soil, water, land, manufactured inputs, and technology at the regional and national levels. The program encompasses supply, demand, and price relationships for agricultural resources and inputs; response to and assessment of technological change in agriculture; resource and input substitution and productivity; agricultural conservation and environmental programs; and domestic and international policy impacts on agricultural and environmental resource use.

NRED is developing an integrated framework for analyzing the factors and technologies used in agricultural production and their relationship to the nonfarm environment, evaluating the tradeoffs between alternative policy options and program decisions, and assessing the implications for agricultural resource use, ownership, and value.

In 1987, NRED will coordinate the assessment of new technologies, including their implications for agricultural resource use, productivity, ownership, and value; estimate input demand and substitution possibilities; assess the competition for water and transfer options; publish a report on trade in manufactured inputs; estimate the benefits of soil and water management programs; evaluate the conservation and supply control impacts of implementing the conservation title of the *Food Security Act of 1985*; improve forecasting and explanations of land value changes; and evaluate the resource implications of potential policy options for dealing with excess capacity in U.S. agriculture.

NRED has four branches—Resource Policy, Land, Soil and Water, and Inputs, Technology, and Productivity.

The Resource Policy Branch has overall responsibility for identifying and assessing the economic implications of existing and alternative resource policies and the impacts of domestic, agricultural, and international policies on the Nation's natural resources. A principal function of the branch is to analyze resource policies and programs for input to the policy decision process, the situation and outlook program, and the branch and division research program. The branch responds to requests from the Administration and Congress for resource policy information and special short-term analyses of current and prospective policies, coordinates resource economics surveys, and develops the analytical capacity needed to carry out these functions.

In 1987, the branch will continue to analyze the economic and resource impacts of the conservation title of the *Food Security Act of 1985*, with emphasis on the conservation reserve program and conservation compliance provisions; analyze and monitor the implementation of the conservation reserve program; evaluate alternative policy options for potential farm bill modifications; derive normalized prices of agricultural products and inputs for evaluations of water resource projects; analyze the implications of changes in macroeconomic and international variables on

**Natural Resource Economics Division,
planned resources, FY 1987**

Branch	Funds	Staff-years
	<i>Million dollars</i>	<i>Full-time equivalents</i>
Resource Policy	1.3	28
Land	1.1	28
Soil and Water	1.4	32
Inputs, Technology, and Productivity	1.5	37
Office of the Director	2.2	11
Total	7.5	136



resource use, availability and values; assess the economic impacts of erosion on soil productivity; analyze the sources and causes of excess capacity in U.S. agriculture and the potential implications of new crops; and coordinate the cropland, water, and soil conservation situation and outlook report.

The **Land Branch** studies the economics of land value, ownership, and use, including such topics as agricultural land prices, cropland rents, and rates of transfer of farmland. Public programs affecting land use and landownership are likewise evaluated. The branch monitors the Nation's land base and analyzes the interrelationship between land use and economic returns from food and fiber production. The branch emphasizes the collection and analysis of farmland values as an indicator of the economic well-being of the farm sector and on the effects of taxation and other public policies on land use and investment decisions.

In 1987, the branch will collect information on current land price levels and changes; develop reports on farmland price forecasting techniques and evaluate expected farmland price trends over the next decade; conduct a survey on market transfers of agricultural land; study agricultural land use change and urban land conversion in fast growing counties of the country; analyze the impacts of income tax reform on incentives for agricultural land conversions; and publish annual reports on

foreign investment in U.S. agricultural land and on the situation and outlook for land values and cropland use.

The Soil and Water Branch monitors and analyzes the demand for and supply of soil and water; the economic consequences of private and public actions to shift demand and supply; the impacts of agricultural practices on soil and water conservation and quality; and the adoption of conservation practices and implications for soil and water uses. The research covers shortrun and longrun conditions, trends, and responses to policies at national and regional levels.

In 1987, the branch will develop and maintain national irrigation and water use data; estimate regional water demand functions and the nature and extent of competition for water supplies; estimate optimal withdrawal of groundwater from the Ogallala aquifer; cooperate with western universities on analysis of current and prospective water markets, transfers, and other methods of adjusting water allocation between farm and nonfarm sectors; report the economic effects of soil erosion on U.S. agricultural productivity; measure the offsite impacts of agricultural practices on surface water quality, fisheries, and wildlife habitat; assess the physical and economic dimensions of groundwater contamination from animal wastes, fertilizers, and pesticides; analyze the environmental quality impacts of irrigated agriculture, including the extent and significance of salinity problems; assess the air quality impacts of wind erosion from farmland; and complete the economic evaluation of the experimental interagency rural clean water program.

The Inputs, Technology, and Productivity Branch conducts an integrated research program that addresses input use and markets, the effects of technology on input use, factors affecting input productivity, and the implications of public policies for input use, technology, and productivity. The branch analyzes supply, demand, price, and utilization relationships for

manufactured inputs used in agriculture; evaluates the productivity of agricultural inputs and factors affecting changes in productivity and input use; assesses the impacts of new technologies on resource use, productivity, location of production, and structure; evaluates the performance and structure of agriculture's input industries, including the effects of domestic farm policies and international trade; estimates the economic effects of crop and livestock pests; assesses the effects of environmental regulations, especially pesticide regulations, on the productivity of U.S. agriculture; and evaluates the economic implications of national and regional pest control programs.

In 1987, the branch will publish two of the four *Agricultural Resources Situation and Outlook Reports* including analyses for fertilizer, pesticides, energy, and farm machinery; produce several articles for *Agricultural Outlook* on input use and relationships; publish an investigation of agricultural productivity and factor substitution; analyze the potential impacts of Environmental Protection Agency pesticide regulations on agriculture and consumers; develop a consistent aggregate data series of input and output prices and quantities to measure changes in technology, utilization, and productivity; report on the impacts of regulatory action on agricultural fumigants; publish reports on technology adoption and yield enhancement in relation to land quality; study pest control's contribution to aggregate agricultural productivity; and report on changes in international agricultural input trade and implications for U.S. agriculture.

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